

## Message Text

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46

ACTION EUR-25

INFO OCT-01 ADP-00 MC-02 T-03 OMB-01 PM-09 ACDA-19 EB-11

TRSE-00 GAC-01 SAJ-01 MBFR-03 AID-20 NEA-10 CIAE-00

H-02 INR-09 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-14 USIA-12 RSR-01 /162 W  
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R 131023 Z MAR 73  
FM AMEMBASSY OSLO  
TO SECSTATE WASHDC 6402  
INFO SECDEF WASHDC  
USCINCEUR VAIHINGEN GER  
USMISSION NATO  
AMEMBASSY COPENHAGEN

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E. O. 11652: N/ A

TAGS: MASS, NO

SUBJ: SALE OF RESIDUAL RIGHTS TO MAP MATERIEL

REF: ( A) STATE 3999 ( NOTAL) ( B) OSLO 723

BEGIN SUMMARY. NORWAY HAS ALREADY PURCHASED RESIDUAL RIGHTS TO SOME \$7 MILLION WORTH OF GRANT AID EQUIPMENT AND IS PREPARING A PROPOSAL FOR PURCHASE OF ADDITIONAL ITEMS OF MINOR EQUIPMENT. EVEN AT ROCK- BOTTOM PRICES, HOWEVER, PURCHASE OF RESIDUAL RIGHTS TO MAJOR ITEMS WOULD HAVE TO BE AT THE EXPENSE OF NEW EQUIPMENT. WE DOUBT THAT THIS WOULD BE IN NORWAY' S OR OUR OWN INTEREST. END SUMMARY.

1. THE NORWEGIANS ARE AWARE THAT IT IS POSSIBLE TO PURCHASE RESIDUAL RIGHTS TO MATERIAL FURNISHED AS GRANT AID UNDER THE MILITARY ASSISTANCE PROGRAM. ON THE BASIS OF A PROPOSAL MADE BY NORWAY IN 1970, SALE OF RESIDUAL RIGHTS TO CERTAIN MINOR ITEMS OF EQUIPMENT,  
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COMPONENTS, AND PARTS WAS EFFECTED IN 1972, THEREBY ELIMINATING A CONSIDERABLE ADMINISTRATIVE WORKLOAD. CHIEF MAAG/ NORWAY HAS BEEN TOLD INFORMALLY THAT THE MINISTRY OF DEFENSE IS CURRENTLY DRAWING UP A SECOND LIST OF ITEMS THE NORWEGIANS WOULD LIKE TO PURCHASE AND THAT A NEW PROPOSAL WILL BE PUT TO THE US IN ABOUT TWO MONTHS.

2. THE NORWEGIAN PURCHASE PROGRAM IS, HOWEVER, QUITE MODEST. ACQUISITION COST OF THE ITEMS FOR WHICH RESIDUAL RIGHTS WERE PURCHASED IN 1972 WAS \$7.3 MILLION (AD THE NEGOTIATED SALE PRICE WAS \$140,000). WE WOULD ASSUME THAT THE LIST NOW BEING COMPILED WILL BE OF A COMPARABLE ORDER OF MAGNITUDE. WHILE IT WILL HOPEFULLY REMOVE MANY MORE MINOR ITEMS FROM THE BOOKS AND THUS GO A LONG WAY TOWARD RELIEVING BOTH NORWAY AND THE US OF NEEDLESS PAPER WORK, IT WILL NOT MEET THE OBJECTIVE OF CLOSING THE BOOK ON MAJOR ITEMS OF EQUIPMENT SUCH AS AIRCRAFT. THE NORWEGIANS MIGHT AGREE THAT THIS WOULD BE ADVANTAGEOUS, FOR REASONS CITED IN REF A, BUT WE SERIOUSLY DOUBT THAT THEY COULD SWING IT FINANCIALLY.

3. NORWAY'S ANNUAL DEFENSE BUDGET IS IN THE NEIGHBORHOOD OF \$400 MILLION. A ROUGH ESTIMATE IS THAT EARLIER TURN-INS AND LOSSES HAVE REDUCED THE INVENTORY OF MAP- SUPPLIED ITEMS IN NORWEGIAN HANDS TO A TOTAL ACQUISITION COST OF \$500 MILLION. TO PURCHASE RESIDUAL RIGHTS TO THIS EQUIPMENT, EVEN ASSUMING THE PRICE WERE AS GOOD AS THAT RECEIVED BY THE GERMANS, WOULD COST ABOUT \$35-40 MILLION, OR ABOUT TEN PER CENT OF THE ANNUAL DEFENSE BUDGET. MEANWHILE, THE DEFENSE ESTABLISHMENT IS HAVING TO FIGHT TO KEEP THE DEFENSE BUDGET GROWING AT AN ANNUAL RATE OF 1.25 TO 2.5 PER CENT, AND EVEN SO IS FINDING IT DIFFICULT TO SEE HOW NECESSARY NEW EQUIPMENT AND HARDWARE CAN BE FINANCED.

4. AS DISCUSSIONS OF THE PURCHASE OF RESIDUAL RIGHT TO ADDITIONAL MINOR ITEMS PROCEED, MAAG WILL ENCOURAGE THE NORWEGIANS TO GIVE SOME THOUGHT TO HANDLING MAJOR ITEMS IN THE SAME WAY. WE CAN POINT OUT THE ADVANTAGES, BUT WE BELIEVE IT WOULD BE A MISTAKE TO GO BEYOND THAT TO PRESS THEM TO BUY. BECAUSE THERE ARE POLITICAL LIMITS TO ANY SIGNIFICANT GROWTH OF THE DEFENSE BUDGET, PURCHASE OF MAP RESIDUAL RIGHTS WOULD LIMITED OFFICIAL USE

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IN EFFECT RESULT IN A DEGREDDATION OF THE NORWEGIAN DEFENSE

EFFORT. IN ADDITION, THERE WOULD BE UNDESIRABLE POLITICAL  
FALL- OUT OF PARLIAMENTARY DEBATE ON SUCH AN ITEM IN THE  
BUDGET WERE TO EVOKE CLAIMS THAT THE US IS CHANGING  
THE RULES OF THE GAME. DECON 12/31/79  
CROWE

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\*\*\* Current Handling Restrictions \*\*\* n/a

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